

Legislative Bulletin.....July 19, 2011

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H.R. 2560—The Cut, Cap, and Balance Act

Key Take Away Points

- **Cut:** In FY 2012, the legislation reduces discretionary spending by \$31 billion compared to last year, and reduces mandatory spending by \$51 billion. Both of these savings totals are compatible with the House-passed FY 2012 budget resolution.
- **Cap:** From FY 2013-2021, the legislation caps federal spending at the same levels (as a percentage of GDP) as the House-passed FY 2012 budget resolution. The cap would be just under 20% of GDP by the end of the ten-year window. This saves **\$5.8 trillion** over ten years.
- **Balance:** The legislation would condition a debt ceiling increase on passage of a Balanced Budget Amendment (that contains a super-majority requirement for Congress to raise taxes, as well as a provision limiting spending as a percentage of the economy).

H.R. 2560—The Cut, Cap, and Balance Act (Chaffetz, R-UT)

Order of Business: The bill is scheduled to be considered on Tuesday, July 19, 2011, under an expected closed rule.

Summary:

Title I—CUT

This title of the bill places limits on FY 2012 federal spending consistent with the FY 2012 House-passed budget resolution as follows:

Discretionary Spending: The legislation provides a total spending limit of \$1.019 trillion—the same level as the current 302(a) allocation, and \$31 billion below last year’s spending level. In addition to this amount (and consistent with the President’s request, the RSC budget, and the House budget), the bill allows \$126.5 billion for global war on terrorism spending.

Mandatory Spending: The legislation places a spending limit on other mandatory spending—defined as non-interest payments, non-veterans, non-Medicare, non-Social Security spending—of \$680.7 billion. This is a \$51 billion cut to “other” mandatory spending, the same as the House-passed budget resolution.

Both the mandatory and discretionary spending limits are ceilings, *not floors*, to FY 2012 spending. In other words, enactment of this legislation would in no way be prejudicial to efforts to lower discretionary spending by more than the current 302(a) allocation.

The discretionary and mandatory spending limits would be enforced (if needed) via sequestration (automatic spending cuts). The sequestration process was setup by the 1985 Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman-Hollings), and it requires the Office of Management and Budget to calculate and enforce the sequestration. For the mandatory spending limit, Social Security, Medicare, veteran benefits, and net interest payments are excluded from sequestration.

The bill makes it out of order for the House or Senate to consider legislation to waive or alter any sequestration, unless the legislation provides cuts that at least match the amount of the sequestration.

Title II—CAP

GDP Outlay Limit: For 2013-2021, the legislation places a limit on spending as a percentage of GDP (at the same levels as the FY 2012 budget resolution), as follows:

- **2013:** 21.7% of GDP
- **2014:** 20.8% of GDP
- **2015:** 20.2% of GDP
- **2016:** 20.1% of GDP
- **2017:** 19.9% of GDP
- **2018:** 19.7% of GDP
- **2019:** 19.9% of GDP
- **2020:** 19.9% of GDP
- **2021:** 19.9% of GDP

As with Title I, the bill enforces these spending limits with sequestration procedures. The sequestration would exempt payments for military personnel accounts, TRICRARE for Life, Medicare, military retirement, Social Security, veterans spending, and net interest.

Title III—BALANCE

Conditional Increase in Debt Limit Contingent on Balanced Budget Amendment: The legislation meets the President’s request for a debt ceiling increase of \$2.4 trillion but only *if* a qualifying Balanced Budget Amendment is first passed by both Houses of Congress and sent to the states. A qualifying Balanced Budget Amendment would also have to include a super-majority requirement for Congress to increase taxes, and a total limit on federal spending as a

percentage of GDP. H.J.Res. 1, H.J.Res. 56, and S.J.Res. 10 are all specifically listed in the bill as examples of amendments that achieve this.

Additional Background: For more information on the “cut, cap, and balance” concept, see [here](#).

Committee Action: The legislation has not been considered by any committee.

Administration Position: The Administration has threatened to veto the bill. See [here](#).

Cost to Taxpayers: The legislation creates an overall cap on federal spending that will save \$5.8 trillion over ten years. The legislation would also condition a debt ceiling increase on congressional passage of a Balanced Budget Amendment. That amendment would (if the leading examples of such legislation passed) require federal spending to abide by a total cap of 18% of GDP.

Does the Bill Expand the Size and Scope of the Federal Government?: No. The legislation reduces the size of the federal government.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Does the Bill Comply with House Rules Regarding Earmarks/Limited Tax Benefits/Limited Tariff Benefits?: The legislation contains no earmarks.

Constitutional Authority: The sponsor cites: “clause 1 of section 8 of article I; and article V of the United States Constitution.”

Outside Organizations in Support of Legislation (partial list):

60 Plus
Americans for Prosperity
Americans for Tax Reform
Christian Coalition of America
Citizens United
Club for Growth
Concerned Women for America
Council for Citizens Against Government Waste
FreedomWorks
Heritage Action for America
Liberty Counsel Action
National Taxpayers Union
Traditional Values Coalition
Mommy Lobby
Southern Baptist Ethics & Religious Liberty Commission

Upwards of 178 other groups support the “cut, cap, and balance” concept, including: the American Conservative Union, American Civil Rights Union, Americans for Limited Government, Eagle Forum, and the Carleson Center for Public Policy

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